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THE STATE

State Job Growth Shows Momentum

The pace of hiring might finally be catching up to California's recovery. The jobless rate is down.

By David Streitfeld
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California employers added more jobs in October than in any month since the technology boom peaked four years ago, the government reported Monday, in a hopeful sign that the pace of hiring may finally be matching the state's improving economic growth.

The state added a net 43,500 nonfarm jobs last month, and the unemployment rate fell to 5.7% from 6% in September, the Employment Development Department said. It was the lowest unemployment rate since September 2001.

Analysts have been expecting California's employment rolls to rise for months, amid improvement in such diverse economic indicators as exports, personal income and taxable sales.

"It's about time," said Howard Roth, chief economist for the California Department of Finance. "We wondered how companies were growing without hiring anyone. Maybe they've finally squeezed all they can out of their current employees."

Employment growth was good in Northern California, which still is recovering from the tech slump of 2001, but was slightly better in more economically diverse Southern California.

Economists cheered the numbers, which outpaced surprisingly strong national

figures, but they warned that one month does not make a boom. In October 2003, for instance, employers added a net 42,200 jobs, but there have been plenty of lackluster months since then.

"I wouldn't expect a string of increases of last month's magnitude, but hopefully it's a sign of a more sustained positive picture," said Brad Williams, director of budget overview and fiscal forecasting for the California legislative analyst's office.

Williams speculated that the strong October numbers might mean that the summer's employment picture wasn't as weak as reported. Indeed, September's job growth was revised upward to 8,300, double the initial estimate. Even so, the July-to-September quarter showed a combined loss of 3,300 jobs.

In the unlikely event that October's numbers could be sustained, they would prove "significantly helpful" in getting the state out of its budget woes, said Stephen Levy, director of the Center for Continuing Study of the California Economy.

"We cannot grow our way out of the deficit," Levy said. "On the other hand, we could certainly get an extra \$2 [billion] or \$3 billion a year. That's not nothing."

The deficit is expected to be at least \$6 billion for each of the next two years.

October was the best month for California hiring since November 2000, when a net 56,000 jobs were added. Those were the glory days of high tech. Venture capital money was pouring into Silicon Valley start-ups, which in turn hired an array of service companies to attend to them. Jobs had rarely been so bountiful or lucrative, which made the subsequent tumble that much more wrenching.

It has been a slow climb back. In the last year, nonfarm employers have hired a cumulative total of 126,600 people. More than half of that growth came in the category of professional and business services. But on a percentage basis, the hot industry is construction, which rose 4.4% in the last 12 months.

Those numbers come from the payroll survey. The state also asks individual households about employment status. The household survey showed a much greater net increase in jobholders in the last year: 386,000.

The difference may be partly because of statistical anomalies. But it also is explained by the rise of what has been labeled "the informal economy."

"More and more people are working, but they're not showing up on the official statistics," said UCLA economist Christopher Thornberg. "People are getting jobs; we just don't know where."

According to the payroll survey, business and professional services, which includes lawyers, accountants and temporary help, showed the biggest gain, 16,300. Even the beleaguered manufacturing industry added 1,500 jobs. The only category showing a significant decline was government, with payrolls falling 10,300.

The decline in the unemployment rate marked the third time in a year that it fell at least three-tenths of a point. Imperial County showed the highest unemployment rate in the state, at 24.5%; the lowest was 2.9% in Marin County. Los Angeles County had a rate of 6%.

In the last year, job seekers generally have fared better in the southern than in the northern part of the state. Riverside-San Bernardino employment is up 2.4% from October 2003, and San Diego has risen 1.2%.

None of the metro areas of Northern California are doing that well. San Jose, in fact, is down 0.8% from a year earlier.

The high-tech industry, which is centered in San Jose and extends up to San Francisco, has stopped hemorrhaging jobs but isn't gaining them either. Electronic computer manufacturing, which employed 56,400 people in January 2001, now employs 41,200. It eked out a net gain of 100 jobs last month.

That increase was more than canceled out by a 500-job drop in semiconductor and electronic parts manufacturing. The category now employs 105,900 people in the state, down from 161,400 in January 2001.

"To have a healthy economy in California, we need growth in jobs in the Bay Area, and that's not happening yet," said economist Roth.

The U.S. added a net 337,000 jobs in October, the biggest increase since the spring and significantly more than analysts had expected. California's share of U.S. employment is about 11%, so it proportionally did better than the country as a whole.

As more people in the country were finding work, more of the permanent jobless began hunting for positions. Since the government counts only those actively looking, the national unemployment rate ticked up a tenth of a point to 5.5%. Although that didn't happen in California, analysts thought it might next month.

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